

A HISTORY AND OVERVIEW OF UKRAINE'S HOUSING SUBSIDY PROGRAM

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Summary

UKRAINE'S HOUSING CRISIS

The Government of Ukraine (GOU) is requiring families to pay more for housing and communal services (maintenance, heat, water and hot water, electricity, gas, and garbage collection). Without larger payments, it cannot narrow its budget deficit — nearly 20 percent of expenditures. Traditionally, households have made only token monthly payments toward the cost of their housing and utilities. In 1994, those payments barely covered 4 percent of the production costs. Government subsidies necessary to cover production costs of housing and communal services amount to at least three-quarters of the 1995 national budget deficit.

Reform of housing prices is also necessary to encourage more efficient use of energy and to allow the emergence of an efficient private housing sector.

In its agreement with the IMF in October 1994, the GOU made the rapid increase of prices for housing and utilities the centerpiece of its reforms. But the typical Ukrainian three-member family reports a monthly income of about \$50. If the family is lucky enough to live in a three-room apartment (about 500 square feet), today it faces a monthly bill for housing and utilities of \$30. In January 1996, the bill will rise to \$45, and, on April 1, 1996, to \$60. There are no comparable increases in incomes planned for this period.

Prices can only be reformed, therefore, if measures are also taken to ensure that low-income families are protected from wholly unrealistic financial burdens. To this end, the United States Agency for International Development (USAID) is providing technical and financial assistance to develop a housing

subsidy program targeted at needy families. The program pays most of the difference between 15 percent of a family's income and their monthly payments.

PROGRAM IMPACTS

The housing subsidy program has allowed prices of housing and utilities to be increased during 1995 at 10 times the rate of inflation — in the face of strong political opposition to reforms. Today, prices cover about 40 percent of the costs of production. Higher payments from households has reduced Ukraine's deficit by an estimated \$600 million in 1995: households have paid 110 trillion krb (about \$628 million) more than they would have paid at prices prevailing in 1994. The cost of the subsidies for all of 1995 will total only about 5 trillion krb (\$28 million).

Although the decree establishing the program was only just passed in February 1995, 720 offices opened to process applications in May. Today, more than 800,000 families are receiving monthly subsidies averaging 1.5 million krb (about \$9 dollars). Nearly one-half the families receiving subsidies are single pensioners — the poorest group in Ukraine.

Problems with the new system remain: application procedures are cumbersome (although this does discourage families with substantial hidden income from participating) and audit systems remain to be developed; too few offices have computers; and many members of the public have not heard about, or fail to understand, the program. Most important, the system of social protection must be extended beyond housing subsidies to provide a system of effective and efficient economic security that the public understands and respects.

I. The History of Ukraine's Housing Subsidy Program

In 1995, Ukraine created a housing subsidy program with the purpose of protecting low-income families from the full impacts of rapid increases in the prices of housing and communal services. In a period of 12 months, enabling legislation was passed, special offices opened nationwide, and one million families enrolled. This section describes the history of that period of program development. The following section describes the impacts that the combination of the subsidy program and the increases in housing prices that the subsidies allowed has had in assisting Ukraine in meeting its goals of economic and social reform.

The housing subsidy program is the first step toward replacing the socialist universal "entitlement" system with programs that focus on families in need. By providing token prices for housing — the typical family was paying less than 5 percent toward the actual costs of building and maintaining its apartment and the energy, water, and garbage collection — the government had created a huge and growing housing crisis. Escaping from this crisis requires drastic measures. Despite a failing economy and low incomes, the government must embark on the politically perilous step of moving toward "full cost recovery" within a few months. This paper describes the first tentative steps on that course of reform. It is written from the perspective of the PADCO team that provided technical assistance and advice to the Cabinet of Ministers and the ministries charged with implementing the new reforms. PADCO's efforts were sponsored by the United States Agency for International Development. Technical assistance is difficult to offer — what can "foreign experts" know about the dire circumstances of the country in which they are only temporary residents? It is also difficult to accept — government officials

are often asked to reverse programs and policies on which they have built a career. The evolution of the housing subsidy program encountered many problems and the program is still wrestling with an almost impossible caseload and strong political opposition. Even with a President publicly committed to reform, there are risks to any high official who espouses the cause of reform. As the USAID/PADCO team was frequently reminded by its counterparts, "You will return home safely on American salaries; we will end up in jail." But in large part, thanks to the courage and commitment of several key government officials and to the flexibility of approach adopted by USAID, the program is operating and will serve as the basis for Ukraine's expanded social protection efforts in the future.

1. THE REFORM OF PRICES FOR HOUSING AND COMMUNAL SERVICES

The Government of Ukraine began its program of reforming prices for housing and communal services early in 1994. Reforms were necessary for two reasons: to reduce the huge budget deficit and to provide more funding for housing and communal services. For most families, communal services include maintenance, natural gas, heat, water and hot water, and wastewater and garbage disposal.

The budget deficit for 1994 ended the year at 113 trillion krb — 18 percent of government spending and 10 percent of GDP. This required printing increasing amounts of money, which caused high rates of inflation — exceeding 60 percent in the single month of December 1993. Subsidies to communal services enterprises accounted for a large proportion of the deficit — at least 75 percent by some estimates.

**BOX 1. HOUSING AND COMMUNAL SERVICES
IN UKRAINE**

Ukraine, like all nations of the former Soviet Union, suffers from an acute shortage of housing. The average Ukrainian family of three people occupies an apartment of less than 500 square feet. Until the end of 1994, monthly payments for housing and communal services for the typical apartment were about \$1 per month — which included heat, gas for cooking, water, wastewater disposal, garbage collection, and maintenance. Off all services provided to families, only electricity and telephone are metered. Payments for all other services are based either on the size of the family (water, wastewater disposal, garbage collection, and natural gas) or on the size of the apartment (maintenance and heating). For the vast majority of urban apartment dwellers (two thirds of the population), heating is provided through hot water radiators, which rarely include any regulating devices.

At the time, these payments were equal to about 4 percent of the family's monthly income (about \$20), and, coincidentally, about 4 percent of the actual costs of providing the housing and communal services. The amount due is shown in the family's rent book.

Family's paid their "rent" by presenting their rent book either at their local "Zhek" — the quasi-governmental organizations that manage most of Ukraine's housing — or at the local branch of the savings bank.

Despite huge subsidies, too little is spent on maintaining and repairing housing and on investments for the enterprises that provide communal services. Many apartment buildings have not received scheduled major repairs on roofs and plumbing systems. And residents in some cities must suffer long interruptions in water service and inadequate heating.

In February 1994, the Cabinet of Ministers issued Decree No. 93. Under this decree, prices for housing maintenance and the basic package of utilities provided were scheduled to increase over three years from a level at which they covered an average of only about 4 percent of production costs to a level covering 60 percent of costs. The decree, however, was never implemented; its implementation depended on "reform of the national structure of wages," which was never undertaken under President Leonid M. Kravchuk.

In the summer of 1994, Leonid D. Kuchma

staged a surprise victory against the incumbent in the Presidential elections with a stronger commitment to reform.

In October 1994, the accord between the GOU and the IMF revived the goal of raising prices for housing and communal services. As one of the conditions for receiving assistance from the IMF, the GOU agreed to a new schedule of price increases — an immediate payment increase to 20 percent of the costs of production, a further increase to 40 percent of production costs on April 1, 1995, and an increase to 60 percent of production costs on July 1, 1995.

This schedule would impose a heavy burden on many low-income families. An economic analysis prepared by USAID contractor PADCO showed that more than one-half of all families would have to pay more than one-half of their income for housing by the time prices reached 60 percent cost recovery (see Box 2).

In 1994, families paid only 12 trillion krb. toward the cost of housing and communal services — about 5 percent of the total. By the end of 1995, families will be paying at an annual rate of more than 200 trillion krb.

The IMF accord mentioned the need for the GOU to create a system of social protection for Ukrainian families during the period of economic transition. The Cabinet passed two decrees, Nos. 722 and 733, intended to provide temporary subsidies. Various Ministries were required to make cash payments to various types of needy families: the Ministry of Social Protection to pensioners, the Ministry of Health to invalids, the Ministry of Defense to veterans, and so on.

**BOX 2. COULD UKRAINIAN FAMILIES AFFORD
TO PAY MORE FOR HOUSING?**

In February 1995, PADCO made the following estimates for the Cabinet of Ministers of Ukraine. For the month of December 1994:

Monthly GDP in current prices:	250-300 trillion krb
Total wages, salaries, pensions:	75-85 trillion krb
Production costs of housing and communal services without depreciation:	29.9 trillion krb
Production costs of housing and communal services with depreciation:	36.8 trillion krb

If the real value of these data had continued unchanged until July 1, 1995, when households were scheduled to pay 60 percent of the cost of producing housing and communal services — or 17.9 trillion krb — payments would absorb 22.4 percent of total household income each month. This is about average for spending within this category in most developed countries. It represents, however, an impossible immediate target for families struggling with escalating food prices, transit, and other budget items.

The problem is that household income accounts for less than one-third of GDP — compared with between 70 percent and 80 percent in most European nations and in the United States. Even allowing for a generous amount of unreported income — perhaps as much as 50 percent of reported income — the burden will be intolerable for many families. Ukrainian workers are paid a large share of the value of their product in subsidized services, which include health, education, transit, and, the largest and most important, housing and communal services. Without a restructuring of wages and salaries to reflect a higher portion of the value of the product of employees, meeting the national cost recovery targets within the proposed time schedule is not possible.

Another way of looking at the issue of affordability is to examine the distribution of family incomes and what share of families will face housing payments in excess of 100 percent of their income at 60 percent cost recovery. The City of Kiev conducts a monthly survey of 650 families. From this data, we estimate that, in the absence of any targeted subsidies, families would face the following burdens of paying for housing and communal services:

Percent of families paying more than	
100 percent of family income for housing	29.3%
Percent of families paying between 50 percent and	
100 percent of income for housing	55.4%
Percent of families paying between 25 percent and	
50 percent of income for housing	15.3%
Percent of families paying less than	
25 percent of income for housing	0%

Sixty percent of the costs of housing and communal services is clearly beyond the reach of most families.

The complexity of the program, however, meant that little money was allocated to the poor before housing subsidy offices — which replaced it — opened for business in May 1995.

Therefore, First Vice Prime Minister V.M. Pynzenyk asked USAID for assistance in the design of a housing subsidy program that would provide targeted assistance to low-income families. USAID contracted with PADCO, a private consulting company that had been working in Ukraine for two years on housing and communal service pricing issues, to provide this help.

**2. DESIGNING AND IMPLEMENTING
UKRAINE'S HOUSING SUBSIDY PROGRAM**

The design and implementation of the housing was carried out by a special Task Force created within the Cabinet of Ministers by First Deputy Prime Minister Pynzenyk. The Task Force met regularly to prepare the decree to create a housing subsidy program that met the requirements set by the First Vice Prime Minister. The Task Force was chaired by Igor Gregoriovich Yelenev, deputy head of the Cabinet's Department of Housing and Communal Services. Its members included representatives from the Ministry of Social Protection, the State Committee for Housing and Municipal Economy, the Ministry of Labor, the Ministry of Finance, and the Ministry of Economy. PADCO finance specialist Roger Vaughan was also appointed to the Task Force.

On February 4, 1995, the Cabinet of Ministers issued Decree No. 89, establishing the housing subsidy program. (This decree and its accompanying implementing regulations are reproduced in Appendix A of this paper.) The decree created a program that paid subsidies to families if their monthly housing payments exceed 15 percent of their average gross income during the preceding three months.

Families would be required to apply for the subsidy, with documents verifying the composition of the family and the income earned by adults.

To avoid paying large subsidies to small families with large apartments, monthly payments would be calculated based only on an amount of space equal to the number of family members multiplied by 21 square meters. (Maintenance and heat payments are dependent on the size of the apartment — see Box 1, above.)

The subsidy program would not prevent all families from paying more each month for housing, but low-income families would be protected from the full impacts of price increases.

After issuing the decree, the Task Force initially decided that the new program could be administered through the existing regional offices of the Ministry of Social Protection. These offices administered several major social protection programs, including pensions, family allowances, and subsidies for single mothers. When PADCO calculated the number of families that could apply — perhaps as many as one third of Ukraine's 18 million families — it became clear that a special, separate system of offices would be needed.

Under instruction from the First Vice Prime Minister, the Task Force continued meeting to draw up normative documents (the rules, regulations, and reporting requirements needed for the program). The Task Force also prepared a training plan for the projected 4,000 new staff members to be employed in local offices and a plan for a campaign to inform the public about the program.

BOX 3. USAID/PADCO'S ROLE IN PROVIDING TECHNICAL ASSISTANCE

PADCO, a private, for-profit consulting company, had been working in Ukraine for two years before it began working on the housing subsidy program. Its activities included designing and implementing the nation's first land auctions, land titling, the design and implementing of private housing management and the formation of condominium associations, and advising on issues related to the reform of housing and communal service pricing and local government finance.

When the urgency of developing a housing subsidy program emerged and assistance was requested by the Cabinet of Ministers, USAID worked with PADCO to refocus its local government finance program. PADCO was given a new task order — from January 1 to September 30, 1995 — with the following objectives:

- the design of a targeted subsidy mechanism that will allow the timely reform of the prices of housing and communal services according to the schedule negotiated between the GOU and the IMF, while ensuring that all Ukrainian families can afford essential goods, shelter, and services;
- the training of local government officials in the design and management of an efficient local subsidy system;
- informing the public about the need for increases in the prices of communal services and explaining and encouraging participation in the targeted subsidy system; and
- training Ukrainian professionals in policy analysis and management in the areas of housing and communal services.

The revised budget for these tasks was set at \$900,000. In view of the success of the working relationship established with individual ministries and the Cabinet and because of requests for continued assistance, USAID has contracted with PADCO to continue and expand its assistance on social sector restructuring for one year, beginning October 1, 1995.

When the decree was signed, PADCO opened a separate office (a three-room apartment in Kreschatik — also the residence of short-term advisor Roger Vaughan) and hired staff for the office. The office was open, staffed, equipped, and operating before the end of February. PADCO's other Kiev office, under Resident Advisor Carol Robbins, provided full logistical support to the new office (including accounting and payroll, as well as processing contracts), enabling it to operate very quickly.

2.1 Procedural Design Issues

Before offices could be opened and subsidies allocated to eligible families, the Task Force had to address several key design issues. Because local governments were to play a large part in opening and managing housing subsidy offices, oblast and city officials were invited to a discussion on the program with the Cabinet of Ministers Task Force on February 2 — before the decree was issued.

The most important design issue was setting the percent of family income that families would be required to pay for housing and communal services. Just before Decree 89 was issued on February 4, the provision to cover monthly costs in excess of 15 percent of average monthly income was replaced by a provision that the subsidy would cover the difference between monthly payments and “a percentage of average gross monthly income to be established by the Cabinet of Ministers.” The change was the result of objections by the Ministry of Finance that setting this level of protection at 15 percent of income would cost too much. The Ministry argued for a higher percentage of income. The Ministry based its objections on its projections of budgetary costs for housing subsidies in 1995 in excess of 100 trillion krb. Estimates by PADCO were much lower — about 40 trillion krb. The main cause for the differences in the estimates was that the Ministry assumed that 100 percent of eligible families would enroll in the program as soon as offices opened.

In March, the Cabinet decided to slow the scheduled rate of price increases, fearing that the sudden increase to 40 percent before the public understood that subsidies were available would create strong public opposition to further price reforms. Instead of moving to 40 percent on April 1, prices were rescheduled to increase to cover 30 percent of production costs on June 1 and to move to 40 percent of costs on September 1. This delay greatly

reduced the projected costs of subsidies. The Ministry of Finance lowered its projections to between 40 and 60 trillion krb; PADCO's estimates were lowered to between 4 and 5 trillion krb (the amount that the program will have actually cost by the end of 1995). The Ministry of Finance allocated 18 trillion krb to cover the costs of the program and Decree 295 was issued on April 19 setting the “level of protection” at 15 percent of average total family monthly income. All normative documents and the training of staff depended on specifying this percentage. In fact, many documents had been printed with “15 percent” specified in anticipation of the Cabinet's final decision.

The Cabinet's fears about the political consequences of sharp price increases in prices were substantiated on April 4 when the Supreme Rada voted to dismiss the entire government on the grounds that it had failed to provide adequately for the social protection of the population of Ukraine. Prime Minister Mazol was replaced by Acting Prime Minister Marchuk. Other members of the government, including First Deputy Prime Minister Pynzenyk, remained as acting Cabinet officials.

A second design issue to be addressed was how to deal with families applying for subsidies in which adults claimed no income (perhaps shielding incomes from “gray-economy” activities). An amendment to Regulation No. 4 of Decree 89 was adopted specifying that only families in which all adults of working age were working (and reporting income), registered as unemployed, registered as students, or looking after invalids or children would be eligible for subsidies. This was issued as part of Decree 313 on May 3, 1995.

A third design issue, subject to prolonged debate, was whether to adopt the approach used by the Russian housing allowance, and base subsidies not on actual monthly payments but

on a normative amount of space and services. A “norm-based” subsidy system offers two advantages: it is simpler to administer and it concentrates greater benefits on low-income families living in overcrowded housing.

The simplicity of administration would come from the fact that applicants do not need to bring evidence of their actual payments. Housing subsidy offices can calculate subsidies by subtracting 15 percent of family income from a normative value of monthly costs of housing and communal services based only on the size of the family.

Under-housed families receive more help under a norm-based system because the monthly costs of housing and communal services are estimated as if the family lived in a “normative” amount of space. If they are under-housed — that is, if they have less space than allowed under the normative — then their normative monthly costs will exceed actual costs and their subsidy will be correspondingly larger.

But to contain program costs within reasonable limits, the normative for per capita space would have to be set at a level that corresponds closely to the amount of actual space occupied by typical families. In Ukraine, housing laws have established a “sanitary norm” for residential space: 21 square meters for each family member plus a fixed amount of space per family of 10.5 square meters. Families with less than this amount of space are entitled to enter their names on the list for larger public housing. The actual amount of residential space enjoyed by the average Ukrainian family is only about 16 square meters per c

The Cabinet rejected the approach of moving to a “social norm” on which to base subsidy calculations. Instead, it adopted a norm of only 21 square meters per capita and, initially, omitted the 10.5 square meters per family. This

penalized single persons and the 10.5 square meters was reinserted in the subsidy calculations in an amendment issued in October 1995. Since it would have been prohibitively expensive to pay subsidies as if all families enjoyed the “sanitary norm” of space, the Cabinet based subsidies on the difference between 15 percent of income and the family’s actual monthly payments for maintenance and communal services (unless they were among the 5 percent of families with space in excess of the sanitary norm). But this requires a lot of paperwork: families must bring in evidence of their monthly payments to all the different utilities.

The approach of creating a “social norm” equal to the average amount of per capita space was reconsidered, but again rejected, during the Fall of 1995 when subsidy offices fell further behind in processing applications and the public complained about the volume of paperwork. Deputy Prime Minister Pynzenyk asked the Cabinet to develop a simpler way of calculating subsidies in order to reduce the paperwork burden on applicants and on subsidy office staff. It is likely that the issue will be revisited during early 1996.

PADCO also prepared for the Task Force designs for the application, notification, and reporting forms that would be needed by local offices. A total of eight different forms are used within the system. One million copies of each form were printed and distributed to local offices during the long May Day weekend immediately before the offices opened.

2.2 Training Subsidy Office Staff

All 4,000 newly hired staff of the housing subsidy offices were trained before offices opened on May 3, 1995. Since that date, a further 2,000 staff have been hired. Several members of the Cabinet task were initially opposed to mounting a formal training

program. After a USAID-sponsored visit by

Task Force members to Russian housing allowance offices in Nizhny Novgorod, March 14-16, however, they decided that training was essential. PADCO organized this trip from the Kiev end while the meetings in Nizhny Novgorod were organized by the Urban Institute — including visits to two operational offices and seminars with staff from the office of the Mayor and a meeting with the deputy governor of the oblast. The Urban Institute, a USAID-contractor based in Moscow, had been working for three years designing and testing the housing allowance program in a number of Moscow raions, and helping roll out the program to all oblasts. The Russian hosts emphasized the importance of training and of computerizing local offices.

PADCO negotiated a training strategy, with the Ministry of Social Protection and the State Committee for Housing and Municipal Economy, which was signed on March 28, 1995 — one week before the training began in Kiev.

BOX 4. GOVERNANCE OF THE HOUSING SUBSIDY PROGRAM

Although the housing subsidy program is managed by the newly created Housing Subsidy Department in the Ministry of Social Protection, the program allows for considerable local initiative.

The roles of the national government are:

- to pay for the housing subsidies through budget transfers to housing subsidy offices, which, in turn, transfer the money to communal services providers whose customers have been subsidized;
- through the Ministry of Finance and the Ministry of Statistics, to establish mandatory reporting standards;
- through the Ministry of Social Protection, to establish eligibility criteria and to provide training and technical assistance to oblast administrations, which, in turn, help raion office administrators; and
- through the Ministry and the State Committee for Housing and Municipal Economy, to publicize and explain the program.

The Ministry staff is only nine people and the State Committee has a program staff of only three. Therefore, much of the details associated with the management of the program rests with oblast administration housing subsidy departments, and the day-to-day running of the offices is the responsibility of city and raion departments. Local government has the following roles:

- to enact local enabling legislation creating the local housing subsidy program and designing the local system;
- to provide office space and office equipment;
- to train and pay salaries of housing subsidy office staff;
- to campaign in support of the program and have publicized it among their constituents; and
- to modify the program to meet local needs at local expense. Kiev, for example, pass regulations offering a higher level of protection to low-income families — they need pay no more than 8 percent of income for housing and communal services; this model has been adopted by three oblast administrations.

The centerpiece of the training program was a training manual, written and printed by PADCO. The manual was used as the basis for a national training seminar and for subsequent regional and local training sessions. Five thousand copies were printed and distributed to all subsidy offices, where they sit on the desks of all administrators and most staff members. The manual contains all normative documents for the program, as well as a 50-page section describing in detail how the program is to be administered. It remains Ukraine's most comprehensive procedures manual provided for government offices.

To supplement the manual, PADCO prepared, under the direction of USAID consultant Herbert Wolff, a 24-minute training video introducing the program to subsidy staff and explaining its basic structure. Seventy-five copies of this video were distributed and used in all regional and local training sessions.

The first step in the training program was a national three-day training seminar attended by two members from each oblast housing subsidy department and two members each from each department of the largest cities — a total of 170 people. PADCO financed the travel and lodging of participants and organized transportation between lodging and the seminar site and also participated in the training.

Those trained at the national training seminar returned to their oblast centers and trained people appointed to head raion housing subsidy offices within the oblast. Staff from the Ministry of Social Protection and the State Committee for Housing and Municipal Economy supplemented the trainers at these sessions.

In turn, those trained at the oblast center seminars trained their office staffs during the final week before offices opened on May 3.

To provide local offices with a sense of

belonging to a nationwide program, PADCO designed a symbol for the program. PADCO also designed and printed 12,000 copies of a poster depicting the process of applying for a housing subsidy, and assisted in its distribution to subsidy program offices, post offices, raion offices, and Zheks. This poster was distributed in late April, before subsidy offices opened.

Perhaps as a result of the training and materials, staff in several housing subsidy offices have developed a strong sense of mission: in a survey in October conducted by Burson Marsteller, 28 percent of the respondents who had applied for subsidies ranked the staff as considerate, 47 percent as average, and 23 percent as unfriendly. This poll was conducted at the height of the congestion caused by the September price increases.

2.3 Since the Opening of Subsidy Offices

On May 3, 1995, 714 housing subsidy offices opened throughout Ukraine and began processing applications from low-income families — three months less one day after the passage of the enabling decree. This represented at least one office in each of Ukraine's 620 raions (with a few exceptions where local administrators had moved slowly) and more than one office in several raions. The first subsidies were granted by May 13.

Since the local offices opened, the Ministry of Social Protection and the State Committee for Housing and Municipal Economy have continued working to ensure that all raions provide effective offices. Some oblasts were slow in creating offices and have failed to publicize the program. PADCO has continued to work with the Cabinet, the Ministry of Social Protection, the Ministry of Economy, and the State Committee for Housing and Municipal Economy on issues related to the implementation, expansion, and improvement of the program.

A large part of PADCO's efforts have focused on the development of the computer software program to be used by staff of housing subsidy offices for managing the records of applicants and participants, as well as for preparing monthly reports required by the Ministry of Statistics (on the numbers of applications and the number and value of subsidies granted) and the Ministry of Finance (on the value of subsidies granted to the customers of each local communal service provider). PADCO's staff of three programmers worked since April under a memorandum of agreement with the Ministry and its computer center. They have designed and developed the program — first distributed to offices for testing in June. A widely tested and revised version was completed in September and transferred to the Ministry for installation in all subsidy offices equipped with computers.

The programming staff is continuing to develop the program to incorporate amendments and additions to the program. They will also develop software to allow local offices to link their data with those of the Tax Inspectorate and the Pension Fund to streamline applications and allow for auditing.

The software development program was tested in several raion housing subsidy offices in Kiev. PADCO has provided computers for these raions and trained the staff in the use of the program. At the same time, the PADCO computer staff has provided technical assistance and training to staff from several dozen housing subsidy offices on the acquisition of computers and the use of the software program.

To assist the Ministry of Social Protection in managing the program, PADCO provided the Ministry with a computer and fax to use as an information distribution system. PADCO also provided financial support to the Ministry for two seminars during the summer, at which new rules and regulations were explained to oblast

department heads.

Because no reliable statistics are available, PADCO has produced a monthly analysis of the problem of late payment and nonpayment for housing and communal services among families in eight sample raions (through contracts with local staff). The research shows that families are often late in paying, but usually pay within 30 days of the due date — counter to the widespread perception that families were unable to afford the price increases. These publications have been used by counterparts in press conferences — leading to several Page One stories — as well as by international organizations in their assessments of the effectiveness of price reforms.

On September 1, prices of housing and communal services were raised to cover about 40 percent of production costs. Further increases are contemplated during the first half of 1996 to reach 80 percent of cost recovery. Computers are being installed in a growing number of housing subsidy offices and software programs, developed by PADCO, are being revised and installed.

At the end of September, when families received their monthly payment books reflecting the September 1 price increase, offices received a surge of new applications that challenged processing capacity. The Cabinet met in October to expand and revise and streamline the process, while the Supreme Rada introduced legislation to formally establish the program. After several months, during which political and public opposition to price reforms and subsidy offices seemed to mount, these actions firmly established the housing subsidy program as the centerpiece of Ukraine's social protection system.

By the end of October 1995, more than

800,000 Ukrainian families were receiving subsidies averaging 1.4 million krb/month (about \$8, or 15 percent of the average monthly income). These participants were being served through 748 offices. The full impacts are described in the following section of this paper.

The Housing Subsidy Program is a new type of social assistance program in Ukraine. By targeting help to low-income families, it enables broad and rapid reforms of prices and of economic structures to occur despite considerable political opposition.

3. INFORMING THE PUBLIC

With the offices opened and the schedule for price increases slowed, the immediate task in May was to inform the public about the new program. The public information campaign had two purposes: to ensure that the neediest families knew that subsidies were available; and to make hostile elected officials aware of the program.

PADCO had originally recommended preceding the opening of the offices with a series of TV and radio commercials that would announce the forthcoming program. The Cabinet, however, resisted this innovation. They feared that advertisements would bring too many people to the untried and unpracticed subsidy offices. Therefore, the campaign began with a national press conference in early May, followed by a series of 21 regional press clubs, in which senior officials from the Ministry of Social Protection and the State Committee for Housing and Municipal Economy spoke and distributed press kits (written, designed, and printed by PADCO). The press conferences led to more than 300 stories in the national and local press and TV about the program. The press kits were also distributed to all members of the Supreme Rada and to all oblast heads and mayors of major cities.

A large-scale TV and radio campaign was mounted between July and November. PADCO prepared, in collaboration with the Ministry of Social Protection and the State Committee for Housing and Municipal Economy, a series of four 45-second commercials and two 10-minute infomercials, describing the program and explaining how families can apply. The advertisements and infomercials were broadcast at no cost for air time on state TV and radio. In a survey conducted in October by Burson Marsteller, 19 percent of respondents replied that they knew about and clearly understood the program and a further 37 percent had heard of the program. The problem of reaching all eligible people — particularly those in rural areas — remains an important challenge.

Two planned TV programs — one featuring the President and the other, the First Vice Prime Minister — could not be completed, despite the completion of substantial work at the request of the Office of the President and the Cabinet. The President declined at the last moment to complete his program and the First Vice Prime Minister's Cabinet responsibilities were shifted

during the reorganization of the government during the summer of 1995.

PADCO also produced two 30-minute documentaries about the need for the prices of housing and communal services to be increased. These programs were broadcast four times on each state TV channel during August and September with no charge for the air time.

PADCO contracted with the Ukrainian Academy of Sciences to conduct three public opinion polls to measure the public's awareness and understanding of the housing subsidy program, the attitude toward price reforms, and the experience with applying for subsidies. The first poll was conducted in late May and the second in late July. The final poll, which will measure the impacts of the public information campaign, has been delayed until late November.

Another survey was conducted by Burson Marsteller in October to provide a "baseline" source of information to guide their public information campaign.

II. UKRAINE'S HOUSING SUBSIDY PROGRAM TODAY

Since housing subsidy offices opened in May, more than one million families had applied for assistance and over 800,000 families have been granted subsidies. The primary participants in the program are one-person families (mostly pensioners living alone, one of the poorest population groups in Ukraine). Participation includes residents of all types of dwelling ownership.

The program will have cost less than the 18 trillion krb budgeted for it for 1995 and will have allowed the collection of more than 110 trillion krb in higher monthly housing payments by families. Therefore, the combination of increased prices and subsidies will have led to a reduction in the deficit in the state budget by more than \$600 million. The program will cost more next year — because the number of families participating will be greater and monthly payments will have been increased far more than incomes will have risen. But the monthly revenues from families will have more than offset the increased budget costs. If the present schedule for price increases is adhered to, the combination of increased prices and subsidies will have led to a reduction in the state budget deficit by more than \$US 1 billion over the situation prevailing in 1994.

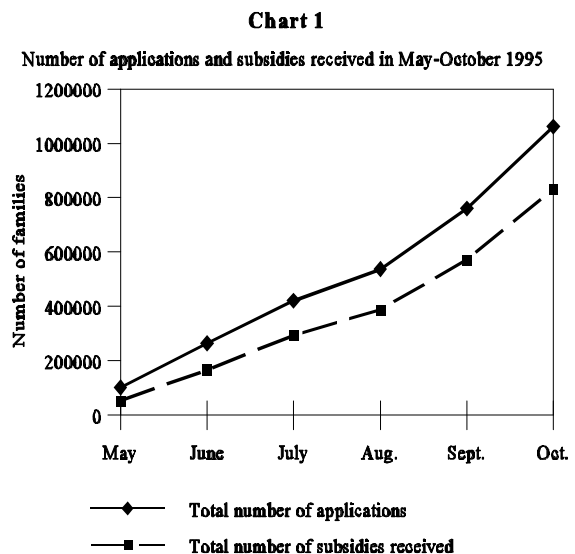
1. Applications and Subsidies Granted: May 1 – October 31, 1995

By the end of October, 1995, more than 6.1 percent of the families in Ukraine had applied for subsidies (a total of 1,061,743 families) and 4.8 percent were receiving subsidies (832,248). Chart 1 shows the reported data on the monthly and cumulative number of applications for housing subsidies since May 1, 1995.

Urban families constitutes a large majority —

80.6 percent — of all applicants. Of the 11.7 million urban families in Ukraine, 7.3 percent (855,922 families) had applied for subsidies by the end of October. During the same period, only 3.7 percent of rural families (205,821 families) had applied. Most rural families only became eligible for subsidies when the program was extended to include annual purchases of liquid gas and solid fuel.

Chart 1 also shows the number of families receiving subsidies, monthly as well as the accumulated total. The difference between the number who have applied and the number who have received subsidies is largely the result of the queue caused by the surge of applications following the September 1 increase in prices to cover 40 percent of production costs.



This scheduled increase in tariffs caused price increases of more than 33 percent. For example, in Kiev, natural gas prices were increased by 40 percent, maintenance payments by 50 percent, central heating by 110 percent, hot water by 120 percent, and water supply and sewage by 200 percent. This sharp tariff increase was necessary because inflation had

eroded tariffs below 30 percent of cost recovery.

Zheks had to recalculate payments for all families and send out notifications — most without the benefit of computers. In October, the Cabinet of Ministers issued Decree 848 that allows for the automatic recalculation of subsidies when tariffs are increased — so that citizens will not have to re-apply. This may reduce the queue in the future.

The average subsidy per family has increased steadily since offices opened — reflecting periodic increases in tariffs that outpace adjustments in income. In May, the average family was granted a subsidy of 255,400 krb. By October, this had risen to 1.5 million krb/month.

2. TYPES OF FAMILIES AND OWNERSHIP AMONG FAMILIES RECEIVING SUBSIDIES

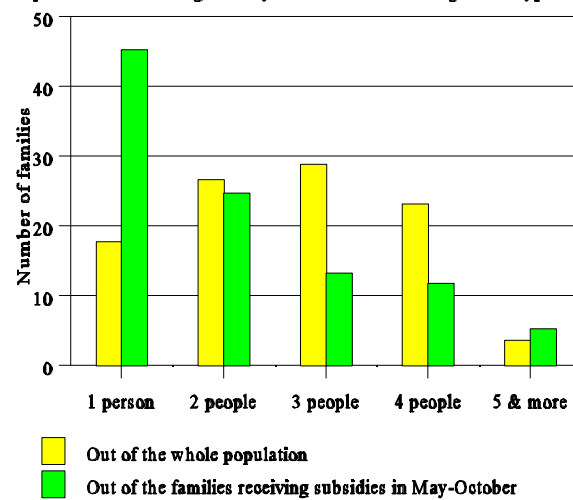
Pensioners living alone and other single-person families are disproportionately represented among families applying for and receiving subsidies. They constitute 45.2 percent of recipients but only 17.7 percent of all urban families (Chart 2). Pensioners are among the poorest category of citizens in Ukraine.

Large families are also disproportionately represented among housing subsidy recipients: families with five or more members constitute 5.2 percent of recipients compared with only 3.6 percent of all urban families. These data indicate the program is reaching the people it is intended to reach.

Residents from all types of dwellings can and do participate in the program. However, the majority of families who received subsidies live in a privatized apartments or private housing (55.0 percent of participants by the end of October compared with only 24.0 percent of all urban families).

Chart 2

Population and Housing Subsidy Distribution According to the Types



The type of families that has taken the trouble to privatize their apartments probably tend to be better informed about government activities and, therefore, about the housing subsidy program.

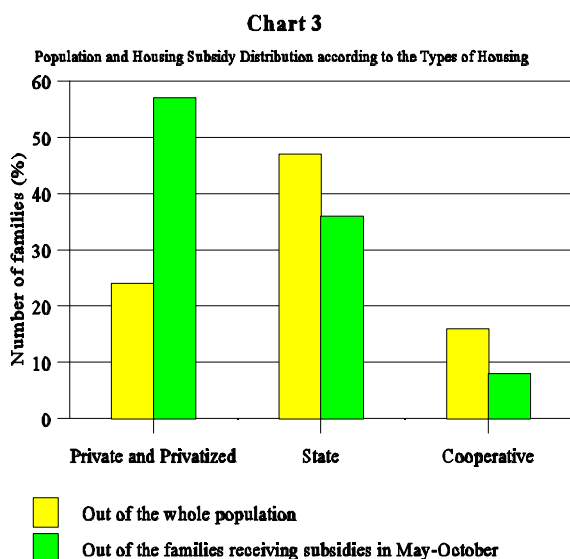
3. FISCAL IMPACT OF THE HOUSING SUBSIDIES AND PRICE INCREASES

By the end of October, only 13 percent of the budget funds allocated for housing subsidies for 1995 had been spent. In the consolidated budget of Ukraine, a total of 18 trillion krb was set aside under the title “Additional payments to the population to offset housing and communal services expenses” (0.7 percent of the total budget).

It is a mistake, however, to regard the housing subsidy program as a net cost to the state budget. The subsidies paid to participating families would otherwise have had to be paid to communal service enterprises. The subsidy program enables the government to increase the tariffs for housing and communal services.

Before housing and communal service prices were increased, direct subsidies for housing, communal services, and natural gas and solid

fuel were much larger. In the planned consolidated budget for 1995, subsidies for housing and communal services (water, waste water disposal, heat, hot water, and garbage disposal) and municipal electric transport were 140.4 trillion krb — 5.7 percent of the total sum of budget expenditures. Subsidies for gas and solid fuel constitute an additional 80 trillion krb and 20 trillion krb, respectively — 3.2 percent and 0.8 percent of expenditures. Together, these direct subsidies constitute 9.7 percent, or nearly one-tenth of all budget expenditures (and two-thirds of the planned budget deficit for 1995). These subsidies are 14 times larger than housing subsidies.



Next year, the subsidy program will be much more expensive — but the increase in revenues will be proportionately larger as well. The number of families participating in the program is projected to grow to more than three million by the middle of the year. At the same time, the cost of the subsidies will also grow — to an average of more than 3 million krb/month. In total, over 200 trillion will be spent on subsidies, but payments from households will rise to more than 500 trillion krb. The net impact of higher payments on the budget will be a reduction of the deficit in excess of \$1

billion over what would have been the case if the rate of cost recovery had remained at 1994 levels.

4. REGIONAL DIFFERENCES IN PARTICIPATION RATES IN THE SUBSIDY PROGRAM

The share of the population participating in the housing subsidy program varies among oblasts — evidence of large differences among oblast and local government administrations in how well they publicized the program. The share of families receiving subsidies in the Crimea or Odessa oblast is less than one fifth of the rate in the Lviv or Ternopil oblasts.

Oblasts with high participation rates include Volynska, Ivano-Frankivska, Lvivska, Ternopilska, Khmel'nitska, and Zakarpatska in the central region, Kirovohradska, Cherkaska, Poltavska and Kyivska oblasts, the city of Kyiv, and the Donetsk oblast. The highest rates were in Chernivetska with 9.1 percent, the City of Kiev with 8.6 percent, and Lvivska Oblast with 8.3 percent. Crimea and Odessa Oblast rates were below 1.5 percent.

Three factors may influence the number of allocated subsidies in different oblasts: 1) the share of the population living in urban areas (urban families are more likely than rural families to be supplied with communal services and are generally better informed about the program); 2) the level of income; and 3) the effectiveness of efforts by the local administration and subsidy offices to inform the population about services.

But oblasts with the highest participation rates that in the west house an average of 63 percent of their population in urban areas — actually below the national average of 68 percent — and oblasts group with the highest participation rates include those in the central and southern region — Kyivska, Cherkaska, and Donetsk

oblasts and the city of Kyiv, regions with high

and low average per capita incomes.

The most likely reason, therefore, for differences among oblasts is differences among the effectiveness of subsidy offices and local governments in informing people about the subsidy program.

5. THE PROBLEM OF LATE PAYMENT AND FAMILY INDEBTEDNESS

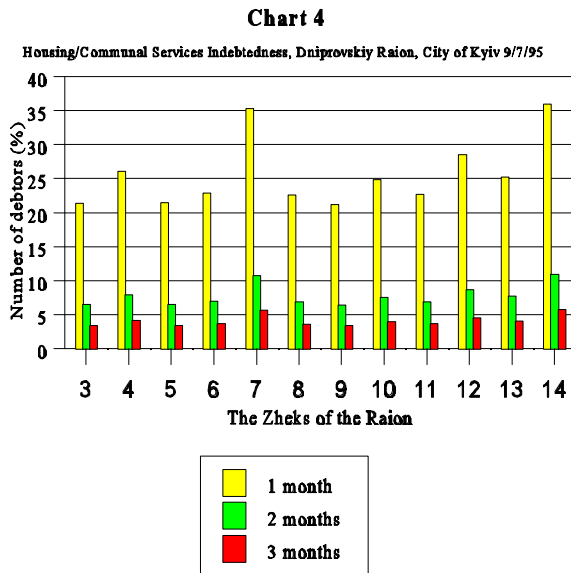
When price reforms were being debated within the Cabinet, there was concern that higher prices would lead to widespread nonpayment among Ukrainian families. Indeed, during the early months of the program, the Ministry of Statistics reported that more than one-half of all families failed to pay their housing and communal service payments.

At the same time, there was concern that many families were falling steeply into debt as a result of the price increases, which led to frequent calls for debt moratoria. To assess the seriousness of the nonpayment and indebtedness problems, PADCO began a monthly report based on a sample of nine raions in Kiev, Kharkiv, and Lviv that report the percentage of families that are one month, two months, or three or more months behind with their payments. The results are shown in Chart 4. "Nonpayment" for housing and communal services is a temporary phenomenon: people pay late, but few do not pay at all. In Kiev, 40 percent of indebted families were only one month behind in their payments. The number of debtors owing relatively little increased in Kyiv during June-August, but the total number of debtors fell.

The fact that only about 5 percent of families are three or more months late shows strong payment discipline because all penalties for late payment have been suspended and many families are late in receiving their revised rent books that reflect new tariffs.

Within a single raion in Kiev, there are large variations in the rate of indebtedness — a reflection of differences in the efficiency with which Zheks follow up on late payers (see Chart 4).

The majority of debtors can pay off their debts during a short period of time; the majority of debtors owe less than 2 million krb, less than \$11.



APPENDIX A

ENABLING LEGISLATION AND IMPLEMENTING REGULATIONS FOR THE HOUSING SUBSIDY PROGRAM

A BRIEF LEGISLATIVE HISTORY

- No. 93 2/11/94:** Created a schedule for increasing the prices for housing and communal services to cover 20 percent of the costs of production during 1994, 40 percent during 1995, and 60 percent by the end of 1996. The decree required implementation of price increases to be suspended until there had been national reform of wages and salaries. It was never implemented. The decree also called for the creation of a social protection system for low-income families.
- No. 88 2/4/95:** Set the schedule for increasing prices — 20 percent from February 1, 30 percent from May 1, 40 percent from July 1, and 60 percent from September 1.
- No. 89 2/4/95:** Created the housing subsidy program — reprinted in full, as amended, see below.
- No. 295 4/19/95:** Set the percentage of income families would be required to pay for housing and communal services before receiving a subsidy at 15 percent.
- No. 313 5/3/95:** Denied subsidies to families with working age adults who were not working (see Regulation 4), gave oblasts the right to regulate the recalculation process (see Regulation 11), and required Zheks and others to inform housing subsidy offices about families failing to pay on time.
- No. 477 6/30/95:** Included acquisitions of liquid gas and solid fuel among the communal services covered by the housing subsidy program.
- No. 848 10/21/95:** Included a monthly normative of electricity use under expenditures eligible for subsidies; added 10.5 m² to the normative of space for which subsidy payments would be provided; allowed for the automatic recalculation of subsidies when tariffs are increased; added “stove fuel” to eligible expenditures; and simplified application process for pensioners and invalids.

Decree of the Cabinet of Ministers of Ukraine
February 4, 1995, No. 89
(As Amended)

For the purpose of social protection of the population during the gradual increase of the tariffs to cover the real costs of housing, its maintenance, water, gas, heating, sewage disposal, garbage removal, purchases of liquid gas, stove fuel, and solid fuel, the Cabinet of Ministers of Ukraine DECREES:

1. That from May 1, 1995, families pay for housing and communal services for the use of housing and communal services within the sanitary norms not more than the share of income established by the Cabinet of Ministers of Ukraine.

Starting from June 1995, families shall pay for liquid gas and solid fuel no more than the percentage, fixed by the Cabinet of Ministers, of the family's annual aggregate income.

Starting from November 1, 1995, families shall pay for stove fuel no more than the percentage, fixed by the cabinet of Ministers, of the family's average aggregate monthly income.

2. The Government of the Autonomous Republic of Crimea, Oblast Executive Committees, and Kiev and Sebastopol Executive Committees are to:

- provide for the establishment by the corresponding executive committees' special offices for providing subsidies to the population for payments for housing and communal services, liquid gas, solid fuel, and stove fuel and organize their functioning. Together with the Ministry of Social Protection of Population and the State Committee for Housing and Municipal Economy, they must coordinate and provide methodological support for these offices.
- make changes in tariffs for housing and communal services and prices for liquid gas and solid fuel only after providing for social protection measures through non-cash subsidies to offset expenses connected with these services and to strengthen control over the establishment of new rates and their correspondence to the requirements of the "Main Provisions on Components of Production Expenses (Turnover) of Enterprises and Organizations," Decree 759, approved by the Cabinet of Ministers of Ukraine on November 10, 1994.
- establish the specific percentage of aggregate monthly household income spent on payments for housing and communal services within the limits determined by the Cabinet of Ministers of Ukraine.
- promote higher quality housing and communal services provided to citizens.
- take steps to deal with the problems caused by tenants, members of their families, and other persons who live with them who systematically damage or ruin dwellings, use them in ways not in conformance with their designation, systematically violate the rights and the legal interests of other citizens, and make residence by others impossible, and to collect payments and debts for housing and communal services in accordance with contracts.
- be more demanding to debtors and those who violate rules of dwellings through improved systems of penalties in the form

of the cessation of communal services.

3. Approve the enclosed Procedure for granting subsidies to the population to offset expenses connected with payments for housing and communal services, liquid gas, solid fuel, and stove fuel that is being attached.

4. The Ministry of Economy, the Ministry of Social Protection of the Population, and the State Committee for Housing and Municipal Economy have to prepare and submit to the Ministry of Finance calculations of the means necessary to compensate for expenses during 1995 for housing and communal services, liquid gas, and solid fuel payments.

The Ministry of Finance is to take into account the need and the means to pay subsidies to the population when calculating norms (percentages) of assignments from general state taxes and fees into the budgets of Autonomous Republic of Crimea, Oblasts, and the cities of Kiev and Sebastopol.

Prime Minister of Ukraine

Minister of the Cabinet of Ministers

5. Executive committees of the city, raion, settlement, and village radas of people's deputies have to establish, by March 1, 1995, special offices, or appoint people responsible for rendering subsidies to the population for housing and communal services, liquid gas, and solid fuel payments, which will be maintained at the expense of local budgets.

6. Subsidies to the population for housing and communal services, liquid gas, and solid fuel (after the increase in prices and tariffs) shall not be included in income subject to taxation.

7. The Ministry of Social Protection, the State Committee for Housing and Municipal Economy, the Ministry of Labor, the Ministry of Economy, and the Ministry of Finance are to carry out wide explanatory and educational work concerning the main principles of the housing and communal services payments reforms and citizen's entitlements to subsidies.

V. Masol

V. Pustovoitenko

REGULATIONS

On the Procedures of Allocating Targeted Subsidies to the Citizens to Reimburse Expenses for Housing and Communal Services, Liquid Gas, Solid Fuel, and Stove Fuel

1. The Regulations determine the conditions for allocating to citizens targeted non-cash monthly subsidies to compensate their housing and communal services payments (water, heat, gas supply, sewerage, garbage, and liquid waste collection), as well as for annual subsidies for liquid gas, solid fuel, and stove fuel.

2. The following categories of citizens are eligible for receiving targeted non-cash monthly subsidies for housing and communal services, liquid gas, solid fuel, and stove fuel (hereinafter "subsidies"): residents of state and public housing, including hostels, for payment for utilization of their dwelling; residents of private housing and cooperatives for payment for maintenance of their dwelling; residents of

housing regardless of the form of ownership.

3. The power to allocate subsidies and their targeted use is exercised by housing subsidy offices created (appointed) by the Executive Committees of city, raion, settlement, and rural Radas of Peoples' Deputies and state administrations. In rural areas, applications and necessary documents are submitted to persons, authorized by settlement and rural rada executive committees. These persons transfer all documents to housing subsidy offices.

4. Subsidies are allocated to the families for whom there is a difference between the housing and communal services, liquid gas, solid fuel, and stove fuel payments and the percentage of income fixed by the Government of the Republic of Crimea, Oblast Executive Committees, Kiev and Sebastopol City Executive Committees of maximum obligatory percentage of payment. Sanitary norms of ownership or rent of the total area of the dwelling and norms of communal services utilization are fixed at 21 m² for a tenant and every member of the family plus an additional 10.5 m² for the family, and for persons who live in one-room apartments, regardless of the dimensions of their apartment.

Subsidies are not given to families that have able-to-work members of working age that did not work and did not study for which average monthly income is calculated (except mothers that take care of children under three, mothers that take care of three or more children under the age of 16, persons that take care of invalids of Group 1, invalid children under the age of 16, and people who are over the age of 80) and are not registered as looking for work. Taking into account circumstances in the families, executive committees of city, raion, settlement, and village radas can make exceptions.

Local governments may grant subsidies from

their budgets to low-income families, regardless of floor space, where no adults are able to work.

The Governments of the Autonomous Republic of Crimea, Oblast Executive Committees, Kiev and Sebastopol City Executive Committees shall define consumption norms for liquid gas, solid fuel, and stove fuel for the population.

5. The subsidy is allocated to one member of the family (an owner of the dwelling, a renter who has a personal account, a member of a cooperative, or an owner of a house, flat or room).

6. The following people are included in a family: spouses, their children, and parents and other persons who share the living space with the tenant (owner) of the dwelling and have propiska for the space; persons who are absent, called up (for military service) are excluded.

Composition of the family is determined at the beginning of the month in which the subsidy application was received.

7. Computation of family income includes the following:

1) wages, including payment for overtime work, work on holidays and days off, for combined jobs; for work at an agricultural collective enterprise; all kinds of extra payments; bonuses, fixed by system of payment for work at a definite enterprise, establishment, organization, irrespective of periodicity and sources of payment; percentage additions and annual reward from material incentives fund for general results of enterprises', establishments', or organizations' work for annual results. Bonuses and annual rewards are included into the total family income at the time of their calculations and not more than one reward a year is reckoned;

2) other monetary payments of systematic character (field maintenance, additional payments for traveling expenses and mobile character of work, etc., except for traveling allowance);

3) scholarship, pensions, allowance (except for one-time allowance);

4) incomes from entrepreneurs' activity, farming, individual subsidiary farming, selling of goods, cattle, poultry, etc., that is determined by the local self-governing bodies; and, in subsidiary farming, incomes from land parcels larger than 0.6 hectares are counted;

5) incomes from cottage craft, from private business, from literary, artistic, musical, and other kinds of creative activity. Incomes of the persons, engaged in cottage craft or private business are determined on the basis of data of district tax inspections about the amount of these persons' taxed incomes;

6) all kinds of rewards, paid to permanent (freelance) literary workers, artists, press photographers, and other persons from the fund of authors' fees and also rewards paid for public performance of masterpieces;

7) all types of attorney's earnings;

8) unemployed compensation;

9) incomes from renting dwellings (on the basis of a certificate from tax inspections);

10) payments in-kind (according to free market prices of the region and period when the payment was given);

11) servicemen's money allowances, except for servicemen of a regular tour of duty who are not included into a family composition;

12) compensatory sums to workers who suffered from industrial injury;

13) wages of pupils and students, who

combine studies with permanent work at enterprises, establishments and organizations, regardless of their form of ownership;

14) payments for forced absenteeism;

15) alimony and temporary allowances for children who are under age whose parents deviate from paying alimony or when withholding of alimony is impossible;

16) actual earnings of persons who work for separate citizens or in teams of citizens while the natural portion of the salary of these persons is included into the total income within 100 percent of its monetary value;

17) other incomes: sums received from the difference of sale and purchase of houses, apartments, garages and other constructions, land parcels, etc., taken into account in the month they are obtained.

8. The following payments, envisaged by the Law of Ukraine "On the Status and Social Security of Citizens Who Have Suffered as a result of the Chernobyl Accident," are also included into the total family income:

1) wage increases, scholarships, and pensions of the citizens who have worked in the contaminated territories;

2) payment for additional leave;

3) difference between wages in case of transfer to a lower-paid job;

4) retained average wages should an employee have been discharged because of relocation;

5) compensation for forced downtime.

9. Money incomes listed in Items 7 and 8 are reckoned in the month they are counted, if not envisaged otherwise by legislation.

10. The money income does not include:

1) alimony paid by the family member;

- 2) subsidies to cover housing and communal services payments;
- 3) targeted payments valid for one occasion only;
- 4) Allowances for servicemen on regular tours of duty.

11. The average monthly income of a family is calculated during three calendar months that precede the month when the application is submitted.

To calculate the subsidy for liquid gas and solid fuel, the annual aggregate family income shall be determined as the product of 12 times the average monthly income.

12. To receive subsidies, citizens submit to the offices that administer housing subsidies an application and information on family composition, total floor area, consumption of housing and communal services, certificates verifying income report for every member of the family, in accordance with the typical forms, approved by the Government of the Autonomous Republic of Crimea, Oblast Executive Committees, and Kiev and Sebastopol City Executive Committees.

To define the amount of subsidies, housing subsidy offices can use information on incomes and payments in the form of lists, certificates, data stored on various media received from social protection organizations, payment centers, employment departments, and housing, communal, and other enterprises and organizations.

Subsidies are granted to the citizens provided pay books, receipts, or similar documents concerning actual payments for housing and communal services for the previous period are presented.

The decision on allocating (non-allocating)

subsidies is made during 10 days after the submission of an application.

13. Subsidies are allocated for the period of six months from the month of applying for it. On expiration of the appointed term, citizens should reconfirm their eligibility to receive subsidies. The subsidy for liquid gas and solid fuel shall be personally applied for and granted annually.

If there are changes in the conditions, on the basis of which subsidies are allocated, a citizen should inform the office that administers them about these changes.

Conditions under which a subsidy is recalculated during the period of six months after its allocation, and the procedure for applying for recalculation during this period are established by the Government of the Autonomous Republic of Crimea, Oblast Executive Committees, and Kiev and Sebastopol City Executive Committees, or, by the agreement of these bodies, by city (raion) executive bodies.

If new tariffs and prices for housing and communal services, liquid gas, solid fuel, and stove fuel are introduced after September 1, 1995, the subsidies will be recalculated starting from the day of such a rise should the application be submitted within two months after the price rise.

14. Subsidies are allocated to the families only for one apartment (house).

15. Subsidies to citizens living in state and public housing, as well as those living in hostels and in housing cooperatives, are provided by a transfer to accounts of housing owners (or organizations authorized by them) and the enterprises providing communal services, selling liquid gas, solid fuel, or stove

fuel.

For citizens living in privatized and their own houses, subsidies will be transferred by these offices directly to the accounts of enterprises providing communal services, selling liquid gas, solid fuel, and stove fuel.

16. The procedure for calculating the amount of subsidy for housing and communal services is as follows:

- 1) The average family total monthly income is calculated and the share of utilities payment in it.
- 2) The total monthly utilities payments within the defined range of sanitary housing area provision norms and the payments for utilities within the range of consumption norms in a concrete settlement are defined.
- 3) The amount of subsidies is defined as the difference between housing and utility payments within the range of sanitary housing area provision norms and utility norms and the amount of payment defined for a family.

17. The procedure for calculating the amount of subsidies for liquid gas, solid fuel, and stove fuel is as follows:

- 1) determine the aggregate annual family income and the share of income spent for the purchase of liquid gas, solid fuel, and stove fuel;
- 2) determine the amount payable for liquid gas, solid fuel, and stove fuel within annual normatives;
- 3) the size of the subsidy shall be the difference between the amount payable within the annual normatives for liquid gas, solid fuel, and stove fuel and the determined share of the family's income.

18. Excessive subsidies paid as a result of citizens' abuse (as a result of the submission of the documents with deliberately wrong

information, of non-submission of information about the changes in the family composition, concealment of circumstances, influencing the amount of subsidies, etc.) are paid back by the citizens by order of offices responsible for giving subsidies in a double amount. Measures, envisaged by the legislation, are taken to those who are guilty in granting extra subsidies.

Housing and communal services organizations should inform housing subsidy offices regularly about apartment owners/users who have not paid for housing and communal services for the previous month, within the limits of the determined percent of family income to take decisions on the allocation of

the subsidy. Such information is used when making a decision on granting a subsidy.

19. Local financial bodies should transfer money for subsidies to offset expenses connected with housing and communal services in accordance with the procedure, established by the Government.

20. Housing Subsidy offices, as well as enterprises maintaining housing and providing communal services, and selling liquid gas, solid fuel, and stove fuel should create a file for each recipient of the subsidy, where they will keep materials necessary for rendering subsidies and calculating its amount.